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CANADIAN WALLPAPER MANUFACTURERS LIMITED

1968

**Canadian Wallpaper Manufacturers Limited  
and Subsidiary Companies**

**COMPARATIVE SUMMARY**

|                                      | 12 months ended December 31 |              |              | 8 months ended Dec. 31 | 12 months ended April 30 |
|--------------------------------------|-----------------------------|--------------|--------------|------------------------|--------------------------|
|                                      | 1968                        | 1967         | 1966         | 1965                   | 1965                     |
| Net Sales .....                      | \$32,079,399                | \$24,694,239 | \$19,381,448 | \$ 9,465,623           | \$13,206,181             |
| Earnings before taxes .....          | 3,003,274                   | 2,130,714    | 1,960,704    | 987,716                | 1,350,658                |
| Earnings after taxes .....           | 1,365,274                   | 1,037,714    | 949,704      | 499,216                | 648,358                  |
| Working capital .....                | 4,953,037                   | 4,142,236    | 3,778,664    | 4,656,111              | 4,440,972                |
| Investment in property (net) .....   | 3,441,224                   | 3,366,857    | 3,107,872    | 2,259,068              | 2,215,585                |
| Shareholders' equity .....           | 9,237,310                   | 8,285,623    | 7,609,798    | 6,841,038              | 6,522,766                |
| Earnings per share after taxes ..... | 10.56                       | 8.03         | 7.35         | 3.86                   | 5.02                     |
| Dividends paid .....                 | 3.20                        | 2.80         | 1.40         | 1.40                   | 2.00                     |
| Equity per common share .....        | 71.47                       | 64.11        | 58.89        | 52.93                  | 50.47                    |

**THE C.W.M. GROUP OF COMPANIES**

SUNWORTHY DIVISION

TORONTO

and

THE BIRGE COMPANY INC.

BUFFALO, N.Y.

Manufacture of Wallcoverings

•

DOMINION COLOUR CORPORATION LIMITED

TORONTO

Manufacture of Organic and  
Inorganic Pigments

•

EMPIRE WALLPAPER & PAINT LIMITED

TORONTO

Merchandising of Wallcoverings  
and Paints

•

THE CROWN DIAMOND PAINT COMPANY LIMITED

MONTREAL

and

GENERAL PAINT CORPORATION OF CANADA  
LIMITED  
VANCOUVER

Manufacture and Distribution of  
Paints and Varnishes

•

**AR20**

**CANADIAN WALLPAPER  
MANUFACTURERS LIMITED**

**INTERIM REPORT  
TO THE SHAREHOLDERS**

**SIX MONTHS ENDED**

**JUNE 30, 1968**

A statement of net sales, earnings and earnings per share, together with a statement of source and application of funds, for the six months ended June 30, 1968, with comparative figures for 1967, is included with this report.

## Sales and Earnings

To provide a proper comparison, the figures for the six months ended June 30, 1967 have been adjusted to include those of The Crown Diamond Paint Company Limited (acquired September 30, 1967).

Both sales and earnings show a significant increase over the prior period. However, it should be recalled that while first-half earnings in 1967 were \$3.16 per share, the second six months' earnings improved to \$4.87 per share. In 1968, second-half earnings are expected to be somewhat less than those of the first-half, although for 1968 as a whole a satisfactory growth in earnings is projected.

## Divisional Operations

The two wallcoverings divisions have improved their sales and profits significantly in 1968, and have strengthened their market position with the introduction of new lines—including, in the case of the Sunworthy Division, a strippable base product for its Trend and Mural ranges. Dominion Colour's operations have also yielded satisfactory results in the first half of 1968.

Empire Wallpaper & Paint has substantially reduced earnings, partly as a result of a prolonged strike at the plants of one of its major outside suppliers. The impact upon the group results as a whole is not significant.

General Paint and Crown Diamond Paint show growth over 1967 levels of sales and profit, although the latter division has been affected by the reduced levels of business activity in Quebec.

## Paint Expansion

In June, 1968, the Company acquired from du Pont of Canada Limited the trade mark "Flo-Glaze" and with it access to the related dealer business. While this development provides an opportunity on a national basis, the scope for increased penetration of the major markets in Ontario and Quebec is of particular interest.

## Dividend

The directors have declared a dividend of \$1.70 per share, payable on September 13 to shareholders of record on August 30.

## Outlook

For the balance of 1968, no significant change in the economies of the group's main market areas is anticipated. As discussed above, while the rate of growth experienced in the first half of 1968 is not expected to be maintained for the balance of the year, a satisfactory improvement in 1968 over 1967 as a whole is anticipated.

J. R. CRAIG,  
President

## INTERIM REPORT TO THE SHAREHOLDERS

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(with comparative figures for 1967)

(unaudited)

\$000's

| 1967<br>(Note) | 1968 |
|----------------|------|
|----------------|------|

### SUMMARY OF OPERATING RESULTS

|          |                           |          |
|----------|---------------------------|----------|
| \$13,857 | Net Sales .....           | \$15,992 |
| 990      | Earnings before Tax ..... | 1,489    |
| 519      | Taxes on Income .....     | 793      |
| 471      | Earnings after Tax .....  | 696      |
| \$3.64   | Earnings per Share .....  | \$5.39   |

### STATEMENT OF SOURCE AND APPLICATION OF FUNDS

#### Source of Funds:

|        |   |        |
|--------|---|--------|
| \$ 471 | Net Earnings for the six months .....   | \$ 696 |
|        | Depreciation and Amortization, a charge which did not involve the current disbursement of funds ..... | 193    |
| 204    |   | 193    |
| 675    |   | 889    |

#### Application of Funds:

|          |  |          |
|----------|--|----------|
| 166      | Investment in Plant, Equipment and Trade Marks (net) ..... | 256      |
| 181      | Dividend .....   | 194      |
| 41       | Repayment of Long-Term Debt .....                          | 40       |
| 42       | Long-Term Receivables .....                                | (5)      |
| 7        | Foreign Exchange Adjustment .....                          | —        |
| 437      |  | 485      |
| 238      | Increase in Working Capital .....                          | 404      |
| 4,285    | Working Capital at December 31 ...                         | 4,142    |
| \$ 4,523 | Working Capital at June 30 .....                           | \$ 4,546 |

NOTE: 1967 figures have been restated to include those of The Crown Diamond Paint Company Limited.

# **Canadian Wallpaper Manufacturers Limited**

**B. S. BUMSTEAD,**  
*General Manager,  
Canadian Wallpaper Manufacturers Limited*

**\*J. R. CRAIG**

**P. T. DAHLE,**  
*President, General Paint Corporation of Canada Limited*

**R. F. INCH,**  
*Managing Director,  
The Wall Paper Manufacturers Limited, London, England*

**K. C. LOGAN, Ph. D.**  
*Director of Research,  
Anglo-Canadian Pulp & Paper Mills Limited, Quebec City*

**\*R. C. MACGILLIVRAY, C.A.**

**\*J. A. MULLIN, Q.C.,**  
*partner, Fraser & Beatty, Toronto*

**\*M. L. PEMBLE,**  
*President, The Birge Company, Inc., Buffalo, N.Y.*

**B. D. ROSE,**  
*President, Acme Paper Products Co. Ltd., Toronto*

**S. T. RYDER,**  
*Chairman, Reed Paper Group Limited, and  
Chairman, The Wall Paper Manufacturers Limited, London, England*

**W. E. SOLES,**  
*President and General Manager,  
Anglo-Canadian Pulp & Paper Mills Limited, Quebec City*

**H. SUTHERLAND,**  
*partner, Fraser & Beatty, Toronto*

**\*S. W. WILBUR**

\* Members of Executive Committee

*Chairman — S. T. RYDER*

*Deputy Chairman — S. W. WILBUR*

*President — J. R. CRAIG*

*Vice-President Finance & Secretary — R. C. MACGILLIVRAY, C.A.*

**HEAD OFFICE:** Two Hundred and Twenty-Two Seventh Street, Toronto

**TRANSFER AGENT & REGISTRAR:** National Trust Company, Limited  
Toronto - Montreal - Winnipeg

**AUDITORS:** Price Waterhouse & Co., Toronto

**BANKERS:** Canadian Imperial Bank of Commerce, Toronto

**LEGAL COUNSEL:** Fraser & Beatty, Toronto

# **Report of the Directors to the Shareholders of the Company**

Your directors take pleasure in submitting to the Shareholders the following report on the Company's operations for the year ended December 31, 1968.

## **SALES AND EARNINGS**

1968 was an excellent year for your Company. For the sixth successive year, sales volume rose to a new record, reaching \$32,079,399, an increase of \$7,385,160 or 30% over 1967 sales of \$24,694,239.

After providing \$1,638,000 for federal and provincial taxes on income, net earnings for the financial year under review amounted to \$1,365,274, an increase of \$327,560 or 32% over the previous year's earnings of \$1,037,714. Earnings per share amounted to \$10.56 compared with \$8.03 in 1967.

Taxes at all levels have continued to rise here and in the U.S. The introduction of the federal surtax on corporation income taxes, effective January 1, 1968, cost your Company approximately \$90,000, nearly \$0.70 per share. While pre-tax earnings increased almost 41%, after-tax earnings rose only 32%.

The continuation of inflationary pressures and the ever increasing burden of taxation on Canadian industry as a whole have inevitably resulted in higher operating costs. Net profit on each hundred dollars of sales has therefore only increased from \$4.20 to \$4.26.

## **FINANCIAL POSITION**

Working capital increased by \$810,801 during the year to a total of \$4,953,037 at December 31, 1968. Retained earnings were increased by \$951,687 so that shareholders' equity or net worth of the Company at the end of the fiscal year amounted to \$9,237,310, equivalent to \$71.47 per share compared with \$64.11 at the previous year-end.

Negotiations for additional financing, to which earlier references have been made, are continuing, but the escalation of interest rates and the uncertainty of the long-term money market have made it extremely difficult to bring these protracted negotiations to a satisfactory conclusion.

## **OPERATIONS**

### **Wallpaper and Wallcoverings**

Pursuing plans announced in our last Annual Report, the Sunworthy Division again achieved new highs in both sales and earnings. The new dry-strippable vinyls were particularly successful, as were new printing techniques which enabled us to maintain a position of leadership in terms of styling.

Trends toward higher styling gave rise to production complexities causing first-quarter output lag. This problem has been largely overcome by the initiation of a second shift and the successful completion of a skilled labour hiring program. Continued emphasis on the development of prestige lines should assure favourable sales and profit trends.

The Birge Company continues to show consistent growth. Sales and profits for the year again reached record levels as our vinyl and flock lines achieved greater acceptance. Much of this is attributable to improved merchandising and sales programs, and to strengthened distribution. The upgrading of existing lines, together with the development of new lines, played an equally important role.

The Birge Company also increased production during the year through greater utilization of existing facilities. We anticipate a continuation of the steady growth pattern which this company has shown over the past several years.

### **Pigment Colour**

Dominion Colour also enjoyed a successful year. Lower raw material costs, coupled with stable distribution and other manufacturing costs and increased selling prices for inorganic pigments, contributed greatly to record achievements in sales and profits.

## **Report of the Directors - (Cont'd)**

Research and development continue to play an important role in the growth of this company. New programs resulting in still greater emphasis in this area show promise of opening up new opportunities.

Our stake in the expanding market for inorganic pigments has led to a feasibility study revealing the limitations of our present site for long-term growth. Subject to our ability to negotiate suitable financing, construction of new facilities for the manufacture of inorganic pigments is scheduled for 1969, to be operational in early 1970. The manufacture of organic colours and a limited range of inorganics will remain at the present site.

First-half operations of Empire Wallpaper & Paint, as revealed in the 1968 Interim Report, fell short of expectations. The company succeeded in reversing this picture in the second half achieving original objectives by year-end.

Merchandising

Well defined programs are now under way to strengthen wholesale distribution, and to enhance the image of retail operations. A consumer advertising campaign is to be launched. Store renovations are in progress. Variations in the range of products merchandised are under test. Long-term plans call for this company to play a role of growing importance in overall corporate activities.

Paint

General Paint completed another impressive year of operations. Continuing efforts to increase its share of the market were successful, as were efforts to acquire additional distribution. These achievements produced sales and earnings which again surpassed previous records. The company also made greater utilization of existing plant and equipment during the year, making significant advances toward centralized warehousing and improved inventory management.

Generally reduced levels of business activity in Quebec had a marked effect on Crown Diamond sales and profits in 1968. However, despite these adverse conditions, the addition of the 'Flo Glaze' business enabled the company to exceed anticipated sales and profit objectives for the year.

The acquisition of the 'Flo Glaze' line and attendant dealer outlets, though national in scope, has proved especially advantageous in terms of penetration into the Ontario market. Crown Diamond is currently focusing special attention in this area, its most immediate potential for volume expansion.

Both General Paint and Crown Diamond have succeeded in absorbing the 'Flo Glaze' line into existing operations at little or no capital expense.

The Annual and Special General Meeting of Shareholders will be held at the Head Office of the Company, 222 - 7th Street, Etobicoke, Ontario, on Tuesday, the 15th day of April, at the hour of 10:30 a.m.

ANNUAL MEETING

Your Board of Directors extends its appreciation for the continuing support of our customers. We also acknowledge the efforts and loyalty of our employees and the enthusiasm with which they carried out their various responsibilities. We are grateful for the co-operation of our many suppliers and the continued support of our stockholders.

Submitted on behalf of the board.

S. T. RYDER  
*Chairman*

March 28, 1969.

**Canadian Wallpaper Manufacturers Limited  
and Subsidiary Companies**

**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1968  
(WITH COMPARATIVE FIGURES FOR 1967)**

|  | <i>1968</i>  | <i>1967<br/>(note 1)</i> |
|--|--------------|--------------------------|
| <b>SALES AND OTHER INCOME:</b>   |              |                          |
| Net sales .....  | \$32,079,399 | \$24,694,239             |
| Other income .....   | 75,377       | 112,752                  |
|  | <hr/>        | <hr/>                    |
|  | 32,154,776   | 24,806,991               |
| <b>COSTS AND EXPENSES (note 2):</b>  |              |                          |
| Cost of goods sold .....   | 20,423,140   | 16,006,494               |
| Selling and distribution .....   | 6,355,344    | 4,844,924                |
| General and administrative .....   | 2,373,018    | 1,824,859                |
|  | <hr/>        | <hr/>                    |
| Earnings before income taxes .....   | 29,151,502   | 22,676,277               |
|  | <hr/>        | <hr/>                    |
|  | 3,003,274    | 2,130,714                |
| <b>INCOME TAXES:</b>   |              |                          |
| Current .....  | 1,667,110    | 1,093,000                |
| Deferred .....   | (29,110)     | —                        |
|  | <hr/>        | <hr/>                    |
| 1,638,000  | 1,093,000    |                          |
| Net earnings for the year .....  | 1,365,274    | 1,037,714                |
| Retained earnings at beginning of year .....                               | 5,637,141    | 4,961,316                |
|  | <hr/>        | <hr/>                    |
| 7,002,415  | 5,999,030    |                          |
| Dividends paid (1968 - \$3.20 per share;<br>1967 - \$2.80 per share) ..... | 413,587      | 361,889                  |
|  | <hr/>        | <hr/>                    |
| Retained earnings at end of year .....                                     | \$ 6,588,828 | \$ 5,637,141             |
|  | <hr/>        | <hr/>                    |

# Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1968

### POSITION

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1. The comparative figures for 1967 include the results of operations of The Crown Diamond Paint Company Limited covering the three month period since acquisition.

|  | 1968              | 1967              |
|--|-------------------|-------------------|
|  | \$ 24,217         | \$ 346,134        |
|  | 4,893,961         | 4,331,903         |
|  | 295,345           | 219,617           |
|  | 7,794,177         | 6,810,031         |
|  | 279,991           | 340,392           |
|  | <u>13,287,691</u> | <u>12,048,077</u> |

2. *Cost and expenses include:*

|  | 1968       | 1967       |                  |
|--|------------|------------|------------------|
| Depreciation and amortization .....  | \$ 374,909 | \$ 352,131 | 2,186,664        |
| Remuneration of directors and senior officers, all of whom are directors ..... | 191,396    | 135,933    | 3,526,870        |
| Interest on borrowed funds .....   | 325,734    | 233,483    | 1,005,914        |
|  |            |            | 57,175           |
|  |            |            | 1,482,956        |
|  |            |            | 75,075           |
|  |            |            | <u>8,334,654</u> |
|  |            |            | <u>7,905,841</u> |

3. *Inventories, valued at the lower of cost or net realizable value:*

|                                  | 1968               | 1967               |                  |
|----------------------------------|--------------------|--------------------|------------------|
| Raw materials and supplies ..... | \$ 1,319,968       | \$ 1,315,643       | 4,953,037        |
| Work in process .....            | 541,436            | 488,624            | 3,515,163        |
| Finished goods .....             | 5,932,773          | 5,005,764          | 123,117          |
|                                  | <u>\$7,794,177</u> | <u>\$6,810,031</u> | 1,302,302        |
|                                  |                    |                    | 94,000           |
|                                  |                    |                    | <u>1</u>         |
|                                  |                    |                    | <u>1,519,420</u> |
|                                  |                    |                    | <u>1,555,245</u> |
|                                  |                    |                    | <u>9,987,620</u> |
|                                  |                    |                    | <u>9,132,206</u> |

4. *Property, plant and equipment:*

|                               | Cost                | Accumulated depreciation | Net book value     |                     |
|-------------------------------|---------------------|--------------------------|--------------------|---------------------|
| Land .....                    | \$ 322,248          | \$ —                     | \$ 322,248         | 489,987             |
| Buildings .....               | 4,100,544           | 2,255,445                | 1,845,099          | 168,000             |
| Machinery and equipment ..... | 5,592,342           | 4,318,465                | 1,273,877          | 92,323              |
| Leasehold improvements ..     | 153,428             | 79,489                   | 73,939             | 750,310             |
| Total December 31, 1968       | <u>\$10,168,562</u> | <u>\$6,653,399</u>       | <u>\$3,515,163</u> | <u>\$ 9,237,310</u> |
| Total December 31, 1967       | <u>\$ 9,771,890</u> | <u>\$6,337,165</u>       | <u>\$3,434,725</u> | <u>\$ 2,648,482</u> |
|                               |                     |                          |                    | 6,588,828           |
|                               |                     |                          |                    | <u>\$ 9,237,310</u> |
|                               |                     |                          |                    | <u>\$ 2,648,482</u> |
|                               |                     |                          |                    | 5,637,141           |
|                               |                     |                          |                    | <u>\$ 8,285,623</u> |

**Canadian Wallp  
and Subsidiary (** **Canadian Wallpaper Manufacturers Limited  
and Subsidiary Companies**

**CONSOLIDATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1968**

**SALES AND OTHER INC**

|                    |      |      |
|--------------------|------|------|
| Net sales .....    | 1968 | 1967 |
| Other income ..... |      |      |

**COSTS AND EXPENSES (**

|                                |  |  |
|--------------------------------|--|--|
| Cost of goods sold .....       |  |  |
| Selling and distribution ..... |  |  |
| General and administrati.....  |  |  |

Earnings before income taxe.....

**INCOME TAXES:**

|                |      |      |
|----------------|------|------|
| Current .....  | 1968 | 1967 |
| Deferred ..... |      |      |

Net earnings for the year .....

Retained earnings at beginnin.....

Dividends paid (1968 - \$3.  
1967 - \$2.)

Retained earnings at end of .....

**5. Long term debt:**

|  | 1968             | 1967             |
|--|------------------|------------------|
| 6 3/8 % First Mortgage Sinking Fund Bonds<br>of General Paint Corporation of Canada<br>Limited (sinking fund requirement<br>\$25,000 annually 1969-1986) ..... | \$ 450,000       | \$ 475,000       |
| 6% Mortgage Note of The Birge Company,<br>Inc., (due \$15,000 (U.S.) semi-<br>annually 1969-1971) .....  | 97,162           | 129,909          |
|  | <hr/> 547,162    | <hr/> 604,909    |
| Less- Instalments due in 1969, included<br>in current liabilities .....  | 57,175           | 57,428           |
|  | <hr/> \$ 489,987 | <hr/> \$ 547,481 |

**6. Commitments:**

The company has annual lease commitments as at December 31, 1968 aggregating \$1,172,397. The minimum annual payments required in each of the next five years are:

|            |           |
|------------|-----------|
| 1969 ..... | \$263,150 |
| 1970 ..... | 227,533   |
| 1971 ..... | 176,589   |
| 1972 ..... | 114,749   |
| 1973 ..... | 70,862    |

Unfunded past service benefits under pension plans of a subsidiary company aggregated approximately \$590,000 at December 31, 1968, of which the estimated unfunded vested benefits amount to \$375,000. The unfunded past service benefits are being amortized over a period not to exceed 27 years.

**7. Translation of foreign currency:**

Current assets and current liabilities of the United States subsidiary company at December 31, 1968 have been translated to Canadian currency at the rate of exchange prevailing on that date. Other assets and liabilities have been translated at historical rates. Sales, costs and expenses have been translated at the average rate of exchange for 1968. The gain arising from these translations has been included in the consolidated balance sheet as an unrealized profit.

# Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1968 (WITH COMPARATIVE FIGURES AT DECEMBER 31, 1967)

| <b>CURRENT ASSETS:</b>                                       | <b>1968</b>  | <b>1967</b>  |
|--|--------------|--------------|
| Cash .....   | \$ 24,217    | \$ 346,134   |
| Accounts receivable .....                                    | 4,893,961    | 4,331,903    |
| Owing from affiliated companies .....                        | 295,345      | 219,617      |
| Inventories (note 3) .....                                   | 7,794,177    | 6,810,031    |
| Prepaid expenses and other assets .....                      | 279,991      | 340,392      |
|  | 13,287,691   | 12,048,077   |
| <b>CURRENT LIABILITIES:</b>                                  |              |              |
| Bank advances .....  | 2,186,664    | 2,011,169    |
| Accounts payable and accrued liabilities .....               | 3,526,870    | 2,813,043    |
| Income and other taxes payable .....                         | 1,005,914    | 832,916      |
| Current portion of long term debt .....                      | 57,175       | 57,428       |
| Notes payable — to parent company .....                      | 1,482,956    | 1,812,956    |
| — to affiliated companies .....                              | 75,075       | 378,329      |
|  | 8,334,654    | 7,905,841    |
| <b>WORKING CAPITAL</b> .....                                 | 4,953,037    | 4,142,236    |
| <b>PROPERTY, PLANT AND EQUIPMENT</b> (note 4) .....          | 3,515,163    | 3,434,725    |
| <b>OTHER ASSETS:</b>   |              |              |
| Long term receivables .....                                  | 123,117      | 252,942      |
| Premium on acquisition of shares of subsidiaries .....       | 1,302,302    | 1,302,302    |
| Licence, at cost less amortization .....                     | 94,000       | —            |
| Designing, cutting and engraving .....                       | 1            | 1            |
|  | 1,519,420    | 1,555,245    |
| <b>WORKING CAPITAL AND OTHER ASSETS</b> .....                | 9,987,620    | 9,132,206    |
| <b>DEDUCT:</b>   |              |              |
| Long term debt (note 5) .....                                | 489,987      | 547,481      |
| Deferred income taxes .....                                  | 168,000      | 197,110      |
| Unrealized profit on foreign exchange (note 7) .....         | 92,323       | 101,992      |
|  | 750,310      | 846,583      |
| <b>EXCESS OF ASSETS OVER LIABILITIES</b> .....               | \$ 9,237,310 | \$ 8,285,623 |
| <b>SHAREHOLDERS' EQUITY</b>                                  |              |              |
| Capital stock — Common shares without nominal or par value — |              |              |
| Authorized — 300,000 shares                                  | \$ 2,648,482 | \$ 2,648,482 |
| Issued — 129,246 shares .....                                | 6,588,828    | 5,637,141    |
| Retained earnings .....                                      | \$ 9,237,310 | \$ 8,285,623 |

*Approved on behalf of the Board:*

J. R. Craig, *Director*

R. C. MacGillivray, *Director*

# Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1968 (WITH COMPARATIVE FIGURES FOR 1967)

| <b>SOURCE OF FUNDS:</b>  | <b>1968</b>         | <b>1967</b>         |
|--|---------------------|---------------------|
| Net earnings for the year ended December 31 .....  | \$ 1,365,274        | \$ 1,037,714        |
| Charges (credits) which did not involve the current<br>disbursement of funds —             |                     |                     |
| Depreciation and amortization .....  | 374,909             | 352,131             |
| Provision for loss on collection of long term receivable .....                             | 129,825             | —                   |
| Deferred income taxes .....  | (29,110)            | —                   |
| Funds provided from operations .....   | 1,840,898           | 1,389,845           |
| <b>USE OF FUNDS:</b>   |                     |                     |
| Investment in, less working capital of, subsidiary company<br>at date of acquisition ..... | —                   | 344,003             |
| Investment in plant and equipment (net) .....  | 449,347             | 247,324             |
| Acquisition of licence .....   | 100,000             | —                   |
| Dividends .....  | 413,587             | 361,889             |
| Repayment of long term debt .....  | 57,494              | 57,494              |
| Miscellaneous (net) .....  | 9,669               | 15,563              |
|  | 1,030,097           | 1,026,273           |
| Increase in working capital .....  | 810,801             | 363,572             |
| Working capital at beginning of year .....   | 4,142,236           | 3,778,664           |
| Working capital at end of year .....   | <u>\$ 4,953,037</u> | <u>\$ 4,142,236</u> |

## AUDITORS' REPORT

To the Shareholders of  
Canadian Wallpaper Manufacturers Limited:

We have examined the consolidated statement of financial position of Canadian Wallpaper Manufacturers Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.  
Chartered Accountants.

Toronto, Canada  
February 10, 1969

**Canadian Wallpaper Manufacturers Limited  
Operating Divisions**

*SUNWORTHY DIVISION*

*THE BIRGE COMPANY, INC.*

*THE CROWN DIAMOND PAINT COMPANY LIMITED*

*DOMINION COLOUR CORPORATION LIMITED*

*EMPIRE WALLPAPER & PAINT LIMITED*

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